

SEP 20 '06 4-05 PM

SURFACE TRANSPORTATION BOARD

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ELIAS C. ALVORD (1942)
ELLSWORTH C. ALVORD (1964)

OF COUNSEL
URBAN A. LESTER

September 20, 2006

Mr. Vernon A. Williams
Secretary
Surface Transportation Board
Washington, D.C. 20423

Dear Mr. Williams:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11301(a) are two (2) copies of a Termination of Security Interest, dated as of September 20, 2006, a secondary document as defined in the Board's Rules for the Recordation of Documents.

The enclosed document relates to the Memorandum Mortgage previously filed with the Board under Recordation Number 25813.

The names and addresses of the parties to the enclosed document are:

Debtor: Babcock & Brown Rail Funding LLC
885 Second Avenue, 49th Floor
New York, NY 10017

Secured
Party: Bayerische Hypo-Und Vereinsbank AG, Agent FPA 4
Lease/Asset Finance Am Tucherpark 1 (FPA)
80538 Munich, Germany

Mr. Vernon A. Williams
September 20, 2006
Page 2

A description of the railroad equipment covered by the enclosed document is:

276 railcars within the series BNSF 238301 – BNSF 238599 as more particularly set forth in the equipment schedule attached to the document.

A short summary of the document to appear in the index is:

Termination of Security Interest.

Also enclosed is a check in the amount of \$34.00 payable to the order of the Surface Transportation Board covering the required recordation fee.

Kindly return stamped copies of the enclosed document to the undersigned.

Very truly yours,

A handwritten signature in black ink, appearing to read 'R. Alvord', with a long horizontal stroke extending to the right.

Robert W. Alvord

RWA/sem
Enclosures

TERMINATION OF SECURITY INTEREST

THIS TERMINATION OF SECURITY INTEREST (this "Termination") is made this 20th day of September, 2006 between **BABCOCK & BROWN RAIL FUNDING LLC** (the "Borrower") and **BAYERISCHE HYPO- UND VEREINSBANK AG**, as agent (the "Agent") for the banks under the Amended and Restated Security Agreement dated as of October 18, 2002 (as amended, supplemented or otherwise modified through the date hereof, the "Security Agreement"). Capitalized terms used in this Termination and not otherwise defined herein shall have the meanings (by cross-reference or otherwise) in the Security Agreement.

WHEREAS, the Security Agreement created a lien and security interest in favor of the Agent in and to the Units and the Qualifying Leases (each as defined in the Security Agreement);

WHEREAS, the Borrower is party to those certain Memoranda of Mortgage described in Schedule I hereto, each copy of which was duly filed with the Surface Transportation Board (the "STB") (the "Memoranda of Mortgage"); and

WHEREAS, the Borrower and the Agent now desire to terminate and cancel the Agent's security interest in and mortgage lien upon all right, title and interest of the Borrower in, to and under the property described in Schedule I hereto and Exhibits A and B to each of the Memoranda of Mortgage, and to record such termination and cancellation with the STB.

NOW THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrower and the Agent, intending to be legally bound, agree as follows:

1. The Borrower and the Agent hereby terminate and cancel the Agent's security interest in and mortgage lien upon all right, title and interest of the Borrower in, to and under the property described in Schedule I hereto and Exhibits A and B to each of the Memoranda of Mortgage, effective as of the date this Termination is filed with the STB (the "Effective Date"), and the Borrower and the Agent hereby agree that no rights, duties or liabilities under the Security Agreement in relation to the property described in Schedule I hereto and Exhibits A and B to each of the Memoranda of Mortgage shall survive such termination and cancellation of the Agent's security interest in and mortgage lien upon all right, title and interest of the Borrower in, to and under the property described in Schedule I hereto and Exhibits A and B to each of the Memoranda of Mortgage, except with respect to acts, events, or omissions under the Security Agreement occurring on or prior to the Effective Date and indemnities with respect to such acts, events or omissions.

2. The Borrower and the Agent agree to record this Termination with the STB so as to release any security interest in and mortgage lien upon the property described in Schedule I hereto and Exhibits A and B to each of the Memoranda of Mortgage created by or arising out of the Security Agreement.

RECORDATION NO. 25813 B FILED

SEP 20 '06 4-05 PM

SURFACE TRANSPORTATION BOARD

3. This Termination may be executed in any number of counterparts, each executed counterpart constituting an original but all together constituting only one and the same agreement.

4. This Termination shall be governed by and construed in accordance with the laws of the State of New York and is being delivered in the State of New York.

* * *

IN WITNESS WHEREOF, the Borrower and the Agent have each caused this Termination of Security Interest to be duly executed and delivered as of the date first above written.

**BABCOCK & BROWN RAIL FUNDING
LLC**

By: 

Name: Ross Sullivan
Title: Vice President

**BAYERISCHE HYPO- UND
VEREINSBANK AG**, not in its individual
capacity except as expressly provided herein,
but solely as Agent

By: _____

Name:
Title:

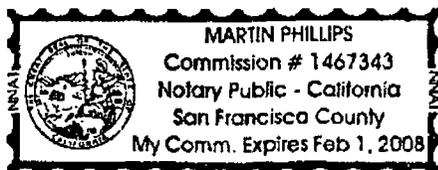
By: _____

Name:
Title:

STATE OF CALIFORNIA)
) SS.:
COUNTY OF SAN FRANCISCO)

On September 18, 2006, before me, MARTIN PHILLIPS, Notary Public, personally appeared Ross Sullivan, personally known to me to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.



Martin Phillips
Notary Public

[Notarial Seal]

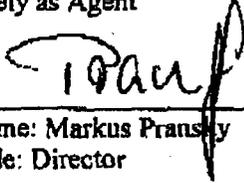
[Termination of Security Interest]

IN WITNESS WHEREOF, the Borrower and the Agent have each caused this Termination of Security Interest to be duly executed and delivered as of the date first above written.

**BABCOCK & BROWN RAIL FUNDING
LLC**

By: _____
Name:
Title:

**BAYERISCHE HYPO- UND
VEREINSBANK AG**, not in its individual
capacity except as expressly provided herein,
but solely as Agent

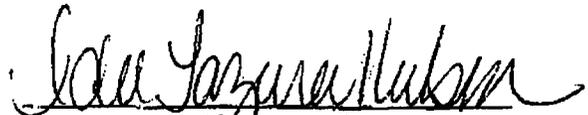
By:  _____
Name: Markus Pransky
Title: Director

By:  _____
Name: Erkan Yilmaz
Title:

[Termination of Security Interest]

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

Subscribed to me on this 19th day of September, 2006 by Markus Pransky,
Director of Bayerische Hypo- und Vereinsbank AG and Erkan Yilmaz, _____ of Bayerische
Hypo- und Vereinsbank AG.


Notary Public

[Notarial Seal]

IDA LAZARA RUBIN
Notary Public, State of New York
No. 01RU6134160
Qualified in New York County
Commission Expires August 9, 2008

SCHEDULE I**UNITS****Reporting Marks of Railcars Transferred on September 12, 2006:**

1. BNSF 238301	51. BNSF 238377	101. BNSF 238460
2. BNSF 238304	52. BNSF 238378	102. BNSF 238462
3. BNSF 238306	53. BNSF 238380	103. BNSF 238464
4. BNSF 238307	54. BNSF 238381	104. BNSF 238467
5. BNSF 238308	55. BNSF 238382	105. BNSF 238468
6. BNSF 238309	56. BNSF 238383	106. BNSF 238469
7. BNSF 238310	57. BNSF 238384	107. BNSF 238470
8. BNSF 238311	58. BNSF 238386	108. BNSF 238471
9. BNSF 238312	59. BNSF 238388	109. BNSF 238474
10. BNSF 238314	60. BNSF 238389	110. BNSF 238476
11. BNSF 238316	61. BNSF 238392	111. BNSF 238478
12. BNSF 238320	62. BNSF 238394	112. BNSF 238479
13. BNSF 238321	63. BNSF 238395	113. BNSF 238481
14. BNSF 238322	64. BNSF 238397	114. BNSF 238482
15. BNSF 238324	65. BNSF 238398	115. BNSF 238484
16. BNSF 238325	66. BNSF 238399	116. BNSF 238485
17. BNSF 238328	67. BNSF 238401	117. BNSF 238486
18. BNSF 238329	68. BNSF 238402	118. BNSF 238487
19. BNSF 238331	69. BNSF 238403	119. BNSF 238488
20. BNSF 238332	70. BNSF 238406	120. BNSF 238489
21. BNSF 238333	71. BNSF 238407	121. BNSF 238490
22. BNSF 238334	72. BNSF 238408	122. BNSF 238494
23. BNSF 238335	73. BNSF 238411	123. BNSF 238495
24. BNSF 238336	74. BNSF 238412	124. BNSF 238496
25. BNSF 238337	75. BNSF 238413	125. BNSF 238497
26. BNSF 238338	76. BNSF 238415	126. BNSF 238498
27. BNSF 238339	77. BNSF 238418	127. BNSF 238499
28. BNSF 238343	78. BNSF 238420	128. BNSF 238502
29. BNSF 238349	79. BNSF 238423	129. BNSF 238503
30. BNSF 238350	80. BNSF 238424	130. BNSF 238505

[Termination of Security Interest]

31. BNSF 238351	81. BNSF 238425	131. BNSF 238506
32. BNSF 238352	82. BNSF 238426	132. BNSF 238508
33. BNSF 238354	83. BNSF 238427	133. BNSF 238509
34. BNSF 238356	84. BNSF 238428	134. BNSF 238511
35. BNSF 238357	85. BNSF 238429	135. BNSF 238512
36. BNSF 238361	86. BNSF 238430	136. BNSF 238515
37. BNSF 238362	87. BNSF 238431	137. BNSF 238516
38. BNSF 238363	88. BNSF 238432	138. BNSF 238519
39. BNSF 238364	89. BNSF 238434	139. BNSF 238522
40. BNSF 238365	90. BNSF 238438	140. BNSF 238524
41. BNSF 238366	91. BNSF 238440	141. BNSF 238528
42. BNSF 238367	92. BNSF 238442	142. BNSF 238529
43. BNSF 238368	93. BNSF 238443	143. BNSF 238533
44. BNSF 238369	94. BNSF 238446	144. BNSF 238534
45. BNSF 238370	95. BNSF 238447	145. BNSF 238535
46. BNSF 238372	96. BNSF 238448	146. BNSF 238536
47. BNSF 238373	97. BNSF 238453	147. BNSF 238538
48. BNSF 238374	98. BNSF 238454	148. BNSF 238540
49. BNSF 238375	99. BNSF 238456	149. BNSF 238541
50. BNSF 238376	100. BNSF 238459	150. BNSF 238542

Reporting Marks of Railcars Transferred on September 13, 2006:

- | | |
|-----------------|-----------------|
| 1. BNSF 238303 | 26. BNSF 238437 |
| 2. BNSF 238305 | 27. BNSF 238439 |
| 3. BNSF 238313 | 28. BNSF 238444 |
| 4. BNSF 238315 | 29. BNSF 238450 |
| 5. BNSF 238319 | 30. BNSF 238457 |
| 6. BNSF 238323 | 31. BNSF 238461 |
| 7. BNSF 238327 | 32. BNSF 238473 |
| 8. BNSF 238340 | 33. BNSF 238477 |
| 9. BNSF 238341 | 34. BNSF 238480 |
| 10. BNSF 238344 | 35. BNSF 238483 |
| 11. BNSF 238346 | 36. BNSF 238493 |
| 12. BNSF 238347 | 37. BNSF 238500 |
| 13. BNSF 238355 | 38. BNSF 238510 |
| 14. BNSF 238359 | 39. BNSF 238514 |
| 15. BNSF 238371 | 40. BNSF 238521 |
| 16. BNSF 238379 | 41. BNSF 238525 |
| 17. BNSF 238387 | 42. BNSF 238544 |
| 18. BNSF 238390 | 43. BNSF 238545 |
| 19. BNSF 238391 | 44. BNSF 238546 |
| 20. BNSF 238400 | 45. BNSF 238547 |
| 21. BNSF 238410 | 46. BNSF 238548 |
| 22. BNSF 238416 | 47. BNSF 238553 |
| 23. BNSF 238419 | 48. BNSF 238554 |
| 24. BNSF 238421 | 49. BNSF 238556 |
| 25. BNSF 238422 | 50. BNSF 238557 |

Reporting Marks of Railcars Transferred on September 14, 2006:

- | | |
|-----------------|-----------------|
| 1. BNSF 238326 | 25. BNSF 238572 |
| 2. BNSF 238330 | 26. BNSF 238573 |
| 3. BNSF 238358 | 27. BNSF 238574 |
| 4. BNSF 238360 | 28. BNSF 238575 |
| 5. BNSF 238436 | 29. BNSF 238576 |
| 6. BNSF 238449 | 30. BNSF 238577 |
| 7. BNSF 238451 | 31. BNSF 238578 |
| 8. BNSF 238452 | 32. BNSF 238579 |
| 9. BNSF 238463 | 33. BNSF 238580 |
| 10. BNSF 238492 | 34. BNSF 238581 |
| 11. BNSF 238513 | 35. BNSF 238582 |
| 12. BNSF 238517 | 36. BNSF 238583 |
| 13. BNSF 238520 | 37. BNSF 238584 |
| 14. BNSF 238523 | 38. BNSF 238585 |
| 15. BNSF 238526 | 39. BNSF 238586 |
| 16. BNSF 238539 | 40. BNSF 238587 |
| 17. BNSF 238543 | 41. BNSF 238589 |
| 18. BNSF 238562 | 42. BNSF 238590 |
| 19. BNSF 238563 | 43. BNSF 238591 |
| 20. BNSF 238564 | 44. BNSF 238592 |
| 21. BNSF 238565 | 45. BNSF 238593 |
| 22. BNSF 238566 | 46. BNSF 238594 |
| 23. BNSF 238569 | 47. BNSF 238595 |
| 24. BNSF 238570 | 48. BNSF 238599 |

Reporting Marks of Railcars Transferred on September 15, 2006:

- | | |
|----------------|-----------------|
| 1. BNSF 238342 | 7. BNSF 238532 |
| 2. BNSF 238348 | 8. BNSF 238537 |
| 3. BNSF 238353 | 9. BNSF 238559 |
| 4. BNSF 238466 | 10. BNSF 238561 |
| 5. BNSF 238472 | 11. BNSF 238567 |
| 6. BNSF 238475 | 12. BNSF 238571 |

Reporting Marks of Railcars Transferred on September 16, 2006

1. BNSF 238518
2. BNSF 238568

Reporting Marks of Railcars Transferred on September 17, 2006

1. BNSF 238409
2. BNSF 238433
3. BNSF 238588
4. BNSF 238596

Reporting Marks of Railcars Transferred on September 18, 2006

1. BNSF 238317
2. BNSF 238404
3. BNSF 238414
4. BNSF 238445
5. BNSF 238458
6. BNSF 238504
7. BNSF 238551
8. BNSF 238555
9. BNSF 238597

Reporting Marks of Railcars Transferred on September 19, 2006

1. BNSF 238598

CERTIFICATION

I, Robert W. Alvord, attorney licensed to practice in the State of New York and the District of Columbia, do hereby certify under penalty of perjury that I have compared the attached copy with the original thereof and have found the copy to be complete and identical in all respects to the original document.

Dated:

9/20/06



Robert W. Alvord